

Office of Inspector General Bill 27-22 Testimony

Montgomery County Taxpayers League – 11/1/2022

The Taxpayers League supports OIG's because they contribute to efficient and effective government. But, the proposed bill and current practices don't go far enough in addressing risks.

1. **Internal Control Effectiveness**- Financial Auditors perform only limited testing and do not provide an opinion on overall control effectiveness. It's been 4 years since the Bang fraud and there still hasn't been an opinion statement from the OIG. The OIG should provide an annual report on the effectiveness of controls based on management assessments. Also, the process for coming up with an annual work plan should include more public input.
2. **Governance**- The Audit Committee (within the Council's Government Operations Committee) provides audit oversight, but lacks audit, internal controls and fraud prevention standards expertise. Further, Council member participation gives the appearance of a conflict of interest between resource allocations and fraud, waste and abuse. Baltimore has added additional outside members to include AICPA and Certified Fraud Examiners representatives to address this. (Adding these members to an Audit Committee restructured as an outside Board would improve the scope and coverage of risk oversight).
3. **MCPS OIG**- Incredibly, this \$3 billion organization doesn't have an OIG, or an annual opinion on control effectiveness beyond financial reporting controls. The state's OLA audit unit cycles through every 6 years, and only does a limited review that would not have prevented or detected the Transportation unit fraud last year. The compromise struck 3 years ago to have the County OIG cover MCPS has failed. We estimate 45% of MCPS spending is for non-instruction overhead (Fairfax County's rate is only 37%). The County's OLO can continue to independently evaluate MCPS's instruction programs. Think of an OIG as an insurance policy for the other half of the budget that would be paid for by OIG findings and recoveries. (How much would you spend to insure \$1.4 billion is spent wisely? Surely, more than is currently being spent supervising of student activity funds. An OIG is needed for timely follow up on whether controls are implemented and how effective they are. Fraud, waste, and abuse constantly erode available resources needed to narrow the achievement gap, that could be replenished by an OIG- particularly if staffed by accountants, not lawyers like the County's OIG. The OIG should report to a group independent of management, specifically MCPS's Board. That would fortify the Board's Fiscal Operations Committee and provide the Board analyses independent of management to direct resources to effective strategies).
4. **WSSC OIG Coordination**- State law provides for a taxpayer bailout via an ad valorem property tax increase if WSSC can't pay its debt service. A recession will stress WSSC's already low cash balance. The County's OIG should monitor and report on any likely property tax impact.